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ABSTRACT

The end of a decade and the start of a new century provide an opportunity to review how higher education has changed and to assess the implications of these developments for the future. This report focuses on six higher education developments from the recent past: (1) the link between postsecondary education and individual well-being grows stronger; (2) new providers and new approaches challenge traditional models; (3) the price of college has grown, as have the ways to pay for it; (4) options to pay for college have expanded, but the system remains incomprehensible; (5) regulatory and legal challenges have increased; and (6) increasing access to higher education for low-income and minority students remains an elusive goal. It is difficult to know where these developments will lead, but there are some key considerations. Public support of higher education will bring greater scrutiny, and concern over access will continue to grow. It is to be expected that technology will reshape higher education and may well redefine it. Middle class concerns about paying for college will not go away. It also seems that the likelihood of increased government regulation cannot be underestimated. The central question facing higher education is whether the community will wait passively for these events or whether it will present a unified and vocal front to policymakers and the media and help shape the future. (SLD)

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Have Been Are Going

AMERICAN HIGHER EDUCATION AND PUBLIC POLICY

STANLEY O. IKENBERRY
TERRY W. HARTLE

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Where We Have Been

By almost any indicator, American higher education flourished in the 1990s. Enrollment grew from 14 million to 15 million students. The percentage of students enrolling in college after high school increased steadily throughout the decade. Total revenues at higher education institutions grew by 34 percent and expenditures went up by 31 percent in real terms.

Boosted by the stock market, institutional endowments grew by an average 13 percent per year. The 509 schools that participated in the National Association of College and University Business Officers (NACUBO) endowment survey in 1999 reported total endowments of $195 billion. By comparison, the 367 schools that responded to the 1990 survey showed total endowments of $60 billion.

Federal funding increased sharply. Federal student aid jumped from $20 billion to $44 billion. Tax benefits to help families finance higher education increased from almost nothing in 1990 to roughly $5 billion today. Federal support for scientific research on university campuses grew from $11 billion to approximately $16 billion over the same period.

Things looked quite different at the start of the 1990s. Articles in *Change*, *Business Officer*, and ACE's *Educational Record* carried titles such as "The Incredible Shrinking Institution," "Controlling Labor Size and Costs," "Making Tough Choices," and "Right Size, Right Way." No longer. Today, the headlines read "Service with Enthusiasm: A Decade of Professionalism, Progress, and Productivity," "Maintaining Investment Success," and "The Golden '90s."

The end of such a remarkable decade and the start of a new century provide a natural opportunity to review how higher education has changed and to assess the implications of these developments for the future of our enterprise. Obviously, any number of changes could be cited, and many specific aspects of higher education—for example, the faculty—could, and should, be examined in detail. Our particular interest, however, is in the public policy and public attitudes that have reshaped the world in which colleges and universities operate. We have focused on six developments we find especially notable. Together they have reshaped American higher education and they will continue to do so as we enter the new century.

I. The Link Between Postsecondary Education and Individual Well-Being Grows Even Stronger

RETURN ON INVESTMENT SOARS

The importance of postsecondary education to individual well-being grew steadily throughout the 1990s. In every way, higher education has become more important than ever before. The most obvious indicator is that the wage premium paid to college graduates increased sharply. In constant 1999 dollars, the annual differential between the salary of a high school graduate and that of a bachelor's degree recipient grew from $13,667 per year in 1990 to $20,630 in 1998. Put another way, college graduates annually earned roughly 86 percent more than high school graduates, compared to 60 percent more at the start of the decade. For students with graduate or professional degrees, earnings have increased even more dramatically.

The benefits of higher education, of course, go far beyond economic well-being. Individuals with a college degree are happier and healthier, live longer, and are less likely to be unemployed than those who lack postsecondary education. They not only are more likely to be employed than their less-educated counterparts; they also are more likely to have jobs that provide health insurance and a pension benefit. In short, on every measure of social and economic success, college graduates surpass nongraduates.

The increasing economic returns to those with postsecondary education were not anticipated. Indeed, in the late 1970s, some economists argued that college enrollments were too high and that the wage premium paid to college graduates would diminish over time. Books with such titles as *The Overeducated American* and *The Case Against College* were commonplace. A 1976 *Newsweek* cover story devoted to the issue asked "Who Needs College?"

As late as 1988, *The Forgotten Half*, a report produced by the William T. Grant Foundation, claimed: "A college degree is not the only way to develop the talents of tomorrow's workers. For some, it is far from the best. There are many opportunities to develop skills and talents and many ways to contribute to a stronger America and to a successful personal and family life that do not require a college degree."

Few observers would make that same point today. There are fewer ways to develop marketable skills and talents than there were a decade ago. The "you can succeed without college" stories still appear in newspapers—but now they are couched as exceptions and are not put forward as a reasonable alternative for families to consider.

AN ESSENTIAL GOOD

The public recognizes the increased importance of higher education. In a recent survey conducted by the Public Agenda Foundation, 77 percent of respondents said that getting a college education is more important than it was a decade ago and 87 percent said they believe that a college education has become as important as a high school education used to be. African-American and Hispanic respondents were even more likely than whites to express strong support for the importance of a college education.

Because higher education has become so important to individual well-being, it has attracted more widespread interest from the public and policy makers. It has become an "essential good." Higher education is no longer of interest to a small elite. Policy makers and the media are more concerned about the availability, cost, and quality of this ticket to a better life than ever before.

II. New Providers and New Approaches Challenge Traditional Models

Within higher education, new providers have emerged and options for studying at different times and places have grown exponentially. We tend to treat this as a single issue, but there are two different trends involved. The first is that the technology is increasing the options for delivering higher education. Second, the organizational status of those who provide higher education is increasingly diverse. Taken together, these developments are substantially increasing postsecondary opportunities at the same time that they are challenging traditional institutions.

THE IMPACT OF NEW TECHNOLOGIES

The growth in technology-mediated instruction has been enormous. The World Wide Web did not exist until 1990. Just one decade later, the phrase "dot-com" is ubiquitous. A June 2000 study by the University of Texas concluded that the "Internet economy" accounted for 2.5 million jobs and $524 billion in revenues last year. While this is a small sum in the context of the 130 million workers in the U.S. labor force and our $9.3 trillion economy, it means that Internet companies now employ more workers than insurance companies or public utilities. Colleges and universities, by comparison, employ 2.7 million people.

What is most notable, however, is the speed with which the Internet sector of the economy is growing—revenues grew by 62 percent last year and are estimated to increase another 62 percent this year. The number of people using the Internet is growing explosively. According to one estimate, roughly 130 million people used the Internet in 1999. The most recent prediction is that 350 million people will be using the Internet by 2003. International Data Corporation estimates that 700,000 people took courses on the web last year and predicts that 2.2 million will do so by 2002.

According to investment firm Merrill Lynch, the "market penetration" of the Internet has occurred with unprecedented speed. It took the Internet just seven years to reach 25 percent of the American population, compared to 13 years for the personal computer, 15 years for the microwave, and 25 years for the telephone.

The bottom line is that the Internet is here to stay. Its impact and reach will continue to grow. Mind you, it's a little early to claim—as some have—that the Internet is the most revolutionary development in human affairs since Johannes Gutenberg invented the printing press. But it is clear that major developments in the storage and transmission of knowledge will continue and accelerate in the years ahead. Organizations in the knowledge business are confronting a tidal wave of change.

THE INCREASING PROMINENCE OF FOR-PROFIT EDUCATION

The nature of educational providers also has shifted in the last decade. Virtually all of the public and private not-for-profit colleges that existed in 1990 are still around. But there have been major changes among private profit-making, or proprietary, schools.

Perhaps surprisingly, the U.S. Department of Education believes there are fewer proprietary schools now than there were ten years ago. Recall that in 1990 federal student loan defaults were increasing at an alarming rate. After Congress made schools with high default rates ineligible to participate in the federal student loan program, some 1,000 schools lost eligibility. Many went completely out of business.

But many of the proprietary schools that have survived are of higher quality and more financially stable than ever before. DeVry University and the University of Phoenix are the best known examples. In the last decade, both of these publicly owned companies enjoyed substantial growth in enrollments, revenues, and shareholder value. Indeed, both have market capitalizations of roughly $2 billion, a level that exceeds the endowment of all but a handful of traditional colleges.

One reason for the success of these schools is their clear focus on the employment needs of their students. Education for the sake of education is not a large consideration.

The popularity of nontraditional providers and their services is likely to grow in the years ahead because of what Peter Drucker calls "profound changes in society." As the number of "knowledge workers" in American society has grown to roughly 40 percent of all employees, so too, Drucker maintains, has the need for adult continuing education to help these individuals maintain their skills.

It is at this intersection of the rapid changes in our ability to transmit knowledge and the need for continuing education that the growth of postsecondary education has been, and will continue to be, the most rapid. In Drucker's words, "The market for continuing education is already much bigger than most people realize. A good guess is that it accounts for 6 percent of GNP. It is going to get a lot bigger."

Traditional colleges, including those that have long emphasized continuing education, have begun to expand their offerings and to adopt new approaches. In some cases, this includes experimenting with new organizational structures. In the last year alone, New York University, UCLA, the University of Maryland, and Cornell University have all taken steps to inject a "for-profit" structure into their continuing education divisions. The College Board has also created a for-profit subsidiary to expand its ability to move in new directions. As this trend continues, the distinction between traditional colleges and proprietary schools will continue to blur.

III. The Price of College Has Grown, as Have the Ways to Pay for It

The price of a college education has grown rapidly and the public remains unhappy about it. At the same time, the ways that families and students pay for a college education have changed dramatically.

COLLEGE PRICES CLIMB STEADILY

The increasing price of a college education has been clearly documented. In the 1990s, the consumer price index went up by 27 percent and median family income rose 38 percent. College tuition outpaced both by a wide margin: At private four-year schools, tuition went up 57 percent. At public four-year colleges, it jumped 79 percent. In other words, the cost of this "essential good" is climbing steadily.

There are, of course, many reasons for the increase in college prices: the rapid increase in scientific knowledge, the explosion of technology, the growth of institutional student aid, the decrease in state support for public colleges, and the exponential growth in government regulations. All of these factors have put great pressure on college budgets in recent years.

Indeed, only one of these cost-drivers—state support for public colleges—has shown much variation. In the early 1990s, state support for higher education fell sharply as states built prisons and increased spending on the Medicaid program. These policy priorities, coupled with an economy still pulling out of a recession, put great pressure on state budgets. Tuition at state colleges went up in response.

In the last five years, however, as the booming economy swelled state treasuries, state aid has remained stable or increased, and tuition has grown at a much slower rate. Some states—including Virginia, Massachusetts, and California—have actually reduced the tuition charged at public colleges by increasing operating support to the colleges.

Recent improvements in state aid are not, however, much cause for celebration because state support for higher education has been falling steadily for several decades. While public colleges have welcomed recent increases in state support (and families have applauded the stable tuition), no one who looks at the long-term evidence can be sanguine about the prospects for state support to higher education when the economy cools off.

LOANS INCREASINGLY USED TO PAY FOR COLLEGE

The ways that students and families pay for higher education have changed as well. Student borrowing has increased dramatically in recent years. How much it has risen is not clear, because no national data on student debt are collected annually.

We can, however, make some informed estimates: In 1992–93, 35 percent of students at public colleges borrowed an average of $7,400 to earn a bachelor's degree. Today, we estimate that 60 percent of public college students borrow an average of $13,500 over the course of their undergraduate studies. For private college students, borrowing over the same time frame increased from $10,200 in 1992 to $16,000 today. Indeed, based on the sketchy evidence available, we believe that student borrowing is increasing faster than tuition.

The greatest increase in student debt has occurred among students in professional schools. Today's professional school students often borrow a staggering amount of money for their education. The federal student loan program allows borrowers to amass $138,500 in cumulative educational debt. Since this falls far short of what some students need to finance a professional school education, most professional associations—such as the Association of American Medical Colleges and the American Association of Dental Schools—have launched supplemental student loan programs (known as "private label" loans). In the case of the dental schools, by combining the federal and private label loans, students can borrow up to $250,000 during the course of their undergraduate and graduate education. For students at some dental schools, however, this limit is still not high enough to meet their total expenses.

Even at low-cost community colleges, the percentage of students who borrow, and their average level of debt, grew noticeably in the last decade. Since many community college students come from low-income, risk-adverse families, the increasing use of loans, if continued unchecked, may well undermine the open-access goal of these schools.

Increased student borrowing is largely the result of changes in 1992 to the federal student loan program: The government created an additional program (unsubsidized loans), more families became eligible to borrow, and the amount that students and families could borrow was increased. Not surprisingly, given the option to borrow more money, many families accepted.

GROWING CONCERN OVER STUDENT DEBT

Determining whether an individual student has borrowed too much can only be measured by considering debt in relation to the borrower's income after leaving school. Any given debt level is manageable if the borrower has a high income. But those with modest post-college incomes can face repayment difficulties if they have even a modest debt level. Thus, the question of whether educational debts are outstripping the ability to repay them will depend heavily on starting salaries and future earnings potential. In recent years, the strong economy has meant a good job market for graduates, regardless of their field of study. This has undoubtedly eased the burden of student loan repayment.

But this can change quickly. If starting salaries do not increase—or if an increase in the general unemployment rate makes it harder for recent graduates to get a job—then student borrowers will have a much tougher time repaying their loans.

Ironically, the extent to which increasing educational debt affects personal and professional choices after graduation is unknown. When asked, students overwhelmingly say that their post-education plans will be limited by their debt. But statistically, there is no evidence that today's students make significantly different choices about careers, consumer purchases, or family formation than did their older brothers and sisters. Still, personal finance experts and higher education analysts who have watched these trends are nervous.

THE GRANT-LOAN IMBALANCE

Concern that students are borrowing too much money to finance their education is not new. The need to reduce "the grant-loan imbalance" has been apparent for many years: In 1980, grants represented 55 percent of all federal student aid and loans accounted for 42 percent. By 1990, grants had fallen to 48 percent of the total federal student aid available, and loans had increased to 48 percent. Given this shift, there was great interest in increasing grant funding for financially needy students and reducing their dependence on loans at the start of the last decade.

Unfortunately, despite the widespread agreement on the need to address the grant-loan imbalance, the problem grew worse in the last decade. In 1999, loans represented 58 percent of the available aid and grants had fallen to just 40 percent.

Recent increases in the value of the maximum Pell grant have stabilized the imbalance, but powerful forces continue to push in the opposite direction. First, student loans are a less expensive federal policy mechanism than grants. The federal subsidy on each loan is equal to amount 25 percent of the total amount borrowed. By contrast, the subsidy on each grant is 100 percent.

In addition, a student loan is an entitlement. All eligible students receive a loan at the level specified in the law unless Congress acts to reduce eligibility. The Pell Grant program, by contrast, is a "discretionary program," meaning the amount of money provided each year in the appropriations process determines how much money each eligible student receives, regardless of the grant level authorized in the law. Because Congress always has more spending priorities than available funding, the Pell grant has rarely been funded at the authorized maximum level.

In short, if policy makers and the higher education community hope to reduce the reliance on student loans and increase grants, it will require a major commitment from both. And thanks to generous increases in the maximum Pell Grant, the grant-loan imbalance has improved slightly in the last two years. The current federal budget surpluses, coupled with the strong congressional support for the Pell Grant program, suggest that it may be possible to make continued progress in the years ahead. It will not be easy, but it is certainly possible.

A different trend is at work at the state level. In the last decade, many states have increasingly used academic merit rather than financial need as a basis for awarding student aid. The percentage of state aid awarded on the basis of financial need declined from 90 percent of the total in 1989 to 80 percent at the end of the decade. For students with the greatest levels of financial need, however, assistance awarded on the basis of academic merit is of minimal value. Sadly, many states that increase the availability of merit-based aid are often unwilling to increase need-based financial aid at the same time.

CREDIT CARDS AND STUDENT WORK INCREASINGLY PROMINENT

It is not, however, simply educational borrowing that creates problems for college graduates. Financial institutions—sometimes with the help of colleges—practically throw credit cards at young people. Not surprisingly, credit card debt among students is far higher today than it was a decade ago.

Today, a majority of college students have at least one credit card and their average monthly balance exceeds $2,000. Some students take out student loans to pay off credit card debts. While this is the right financial strategy (because student loan interest rates are much lower than credit card rates), it means that many students leave school with higher levels of educational debt than they would otherwise.

Sadly, borrowers do not appear to know much about the terms and conditions of their student loans. Indeed, preliminary research conducted by ACE and Sallie Mae found that students were far more likely to understand credit card debt and repayment obligations than the responsibilities associated with student loans. Ironically, student loan borrowers are extensively "counseled" about repayment obligations when they receive their loan and again when they leave school. No such counseling is provided to credit card holders. For some reason, student borrowers do not seem to be retaining the information given to them.

While the increase in educational borrowing has received considerable attention from policy makers and in the media, the tendency of many students to work long hours while simultaneously attending school has not. Among those who identify themselves primarily as students (as opposed to those who identify themselves as employees who also are enrolled in college), the average number of hours worked per week is 25. Students working too many hours while attending college has become at least as serious a problem as excessive student debt. It is not, however, an issue that has received anywhere near the same level of scrutiny and attention in the media, perhaps in part because of the romantic attachment many Americans have toward "working your way through college."

It is hard to know where these trends will stop. Still, inexorable increases in the factors driving up the cost of doing business, coupled with fairly dramatic changes in the ways that families and students finance their education, can only be called ominous. The ultimate challenge in the years ahead will continue to be remaining financial barriers and closing the gap in college attendance rates between students from upper income families and those most in need.

IV. While the Options to Pay for College Have Expanded, the System Remains Incomprehensible

Options to pay for college have expanded dramatically during the last decade. Unfortunately, we have not made paying for college more comprehensible. If anything, it is probably less understandable now than it was a decade ago.

Until recently, there were few ways to finance a college education. Family savings, work, and student scholarships and loans were the basic choices. Even within these categories, options were limited. Most students, for example, regardless of their debt levels or personal situation, found themselves repaying student loans using the same repayment plan (ten years of equal monthly payments).

FINANCING INNOVATIONS

The innovations in financing higher education started in Pittsburgh, Pennsylvania, when Duquesne University launched a prepaid tuition plan in 1984. This approach let parents pay a fixed sum to cover the total educational expenses of their children while they were young. When the students were ready to enroll, the bills had already been paid.

Forbes magazine called this "the most exciting innovation in financing higher education since the GI bill." They were wrong. For a variety of reasons, few institutions adopted this model. But this development did spawn a host of new efforts to help students and families meet college expenses. The State of Michigan, for example, modified the Duquesne approach and created a statewide prepaid tuition plan. More than 20 states now have their own prepaid tuition plans. Other states have moved in a related direction by creating plans that encourage personal saving to meet college expenses.

THE TAX CODE AS STUDENT AID

The federal government also got into the act. The tax-free use of U.S. Savings Bonds for college tuition began in 1989. Individuals investing in state prepaid tuition plans were given a federal tax break. More federal tax-advantaged savings plans—such as the Roth IRAs and educational IRAs—were approved in the 1990s.

The deductibility of interest paid on student loans is still another federal tax benefit that helps students finance their education. A student loan tax deduction was a feature of the federal tax code until 1986. In 1997, Congress restored it. In light of the increased indebtedness facing students, it is a welcome addition.

Use of the Internal Revenue Code to help families pay for college goes far beyond these specific provisions. In the 1990s, Congress approved several major tax code initiatives to help middle-income families pay for college. Most notably, President Clinton's Hope and Lifetime Learning tax credits, approved in 1997, provide roughly $4 billion and help 5 million Americans annually. Earlier this year, President Clinton proposed to expand these tax breaks through the creation of a College Opportunity Tax Credit.

While Congress will not adopt this plan, Vice President Gore has made it a centerpiece of his presidential election campaign. The Gore campaign estimates that this proposal, if approved in its current form, will cost $36 billion over ten years. Governor Bush has also called for expanding the use of tax breaks to help families save for college through an expansion of college savings accounts and tax breaks for prepaid college tuition programs.

In short, given the interest in tax breaks for college expressed by both political parties, it is likely that additional tax provisions to help families finance college will be under discussion on Capitol Hill in the years ahead.

Regardless of whether Congress adopts the College Opportunity Tax Credit, it is likely that any omnibus tax bill enacted in the near future will include new provisions to help families.

A COMPETITIVE LOAN SYSTEM

Student lending was perhaps the most visible area of change in the financing of higher education in the 1990s. An entirely new system of student loans was created. In the perpetually controversial "direct lending" program, the federal government makes loans directly to the student and eliminates subsidies to lenders. Critics argue that direct lending does not improve the services provided to students. However, the competition provided by direct lending has clearly improved services to borrowers at all schools, regardless of whether they are in direct lending or the traditional bank-based student loan program.

Repayment options for borrowers increased with the advent of income-contingent repayment. Borrowers can now repay their loans by setting aside a modest portion of their income over an extended period of time. This is an idea that was discussed for almost 40 years before becoming a reality in the last decade. In addition, far more student loan borrowers now use graduated or extended repayment plans than a decade ago.

There is no doubt that the new financing mechanisms have helped many families. But expanding financing options does not necessarily increase comprehension. To the contrary, it is more challenging for families to plan for a college education today than it was a decade ago. Ironically, given the rapid proliferation of ways to save and pay for higher education, we suspect families are less aware of their options than they were a decade ago. In the years ahead, perhaps policy makers will turn their attention toward better dissemination of information about paying for college. This would not have the political appeal of creating a new student aid program or expanding a tax break, but it would help families understand the full range of possibilities and may enable them to think about financing college in a coherent and systematic fashion.

V. Regulatory and Legal Challenges Have Increased

The regulatory and legal environment is more complex than ever before. With increased public support comes the demand for more accountability. Higher education—despite its long tradition of autonomy on academic matters—will not be granted an exception.

In 1990, colleges did not face federal regulations on: student loan default rates, access for students with disabilities, mandatory retirement of faculty members, graduation rates of students and student athletes, intercollegiate athletic program participation, pass rates of teachers on state licensure examinations, salaries of athletic coaches, conflict of interest for researchers, campus crime, tuition refunds, voter registration, or hate crimes. By 2000, however, colleges had to comply with federal regulations on all of these, and many other, issues.

Battles over intrusive and increased regulations have become a steady feature of efforts to represent higher education. Indeed, with a brief exception in the mid-1990s, the most contentious issues facing higher education in Washington, DC, in the last decade have been about excessive regulation, not funding for student aid or scientific research.

Moreover, the range of administrative and regulatory challenges facing colleges is huge. In the last year, higher education associations have fought regulatory battles with the Immigration and Naturalization Service, the Internal Revenue Service, the Census Bureau, the Department of Labor, and the Federal Trade Commission.

THE IMPACT OF FEDERAL DISCLOSURE

One particular type of regulation that has spread like a wildfire are those requiring colleges to provide information to students, potential students, and the broad campus community. The number and intrusiveness of these "disclosure requirements" has increased steadily. For example, the Higher Education Technical Amendments of 2000 as approved by the House of Representatives added federal regulations on sexual predators, missing students, and fire safety to the disclosure list.

In most cases, a relatively predictable chain of events leads to the creation of new disclosure regulations. A tragedy occurs on one campus. Advocates press Congress to enact federal legislation to ensure that it does not happen again. Colleges are understandably reluctant to oppose such efforts vigorously for fear of appearing insensitive. The frequency with which such tragedies occur is rarely considered, nor is the cost or burden associated with compliance fully explored. The arguments are persuasive, the political pressure inexorable, and, in the end, colleges find themselves dealing with another federal mandate.

THE COST OF COMPLIANCE

A central concern with growing federal regulations is the cost of compliance. In 1997, Stanford University President Gerhard Casper estimated that federal regulations alone imposed a burden on Stanford equal to 12.5 cents of every tuition dollar. It is unlikely that the financial burden has declined in the last three years.

More distressing than the additional costs is the real possibility that the growing number and complexity of federal regulations will incrementally reshape the relationship between colleges and the government. At precisely the time when higher education institutions want to be more flexible, to respond to new opportunities, and to serve new students at new locations, federal regulatory actions limit opportunities.

For example, the Department of Education recently proposed to develop a federal definition of "semester." In other words, at the time when traditional concepts of seat time mean less and less, a federal agency proposed to impose regulations on a matter that had been left to institutions for 350 years. Fortunately, after pressure from Washington associations, they later abandoned this effort.

Another federal effort had a less happy outcome. Earlier this year, Department of Education auditors determined that, in their opinion, the University of Phoenix had violated the so-called 12-hour rule governing the amount of time each week that students are required to be engaged in class work. Rather than embark on a protracted fight with a federal agency, the university—which had received written approval on this matter from the department—elected to pay a $6 million fine and to begin taking attendance. Ironically, the agency has since agreed that the regulation should, in fact, be revised.

LEGAL CHALLENGES ARE ON THE RISE

It is not just federal regulations that increasingly limit the ability of campuses to shape their own destiny. The legal environment also imposes far greater restrictions on higher education than ever before. Colleges are hardly unique; America's increasing litigiousness is a problem for many organizations. But, given the complexity and diversity of college campuses, it is hardly surprising that we face a complex and diverse array of legal issues.

One way to measure the increase in legal challenges is simply to note the extent to which ACE finds itself involved in legal matters. In 1988–89, ACE filed a single amicus brief in one case affecting higher education. In 1998–99, we filed ten. The increasing tendency to resolve disputes in the courts is a serious problem for higher education because many campuses are not staffed to deal with these issues. Indeed, because a large number of colleges and universities do not even have a lawyer on staff, any legal dispute forces these institutions to seek outside help.

VI. Increasing Access to Higher Education for Low-Income and Minority Students Remains an Elusive Goal

Increasing access to higher education for low-income and minority students remains an elusive goal. We have not—despite heroic efforts on our part and by policy makers—made significant progress in making access to higher education equitable. The college participation of students ages 18 to 24 (for dependent students) has increased in recent years for all income groups. But the participation gap remains unacceptably large.

UNEQUAL PARTICIPATION IN HIGHER EDUCATION REMAINS A HUGE PROBLEM

In 1990, 44 percent of 18- to 24-year-olds from the lowest quartile of family income were in college, compared with 79 percent of those in the top quartile. By the late 1990s, participation at the low end of the income scale had increased to 53 percent, while it rose to 89 percent for the most well-to-do families. The participation gap between the highest and lowest income groups was actually greater in 2000 than it was a decade ago.

Sadly, this is not a new development. The gap in postsecondary participation between the highest and lowest income Americans has changed very little since 1970. All boats have gone up, but there is really no change in the relative position of the boats.

Nor do college graduation rates look good when family income is considered. Among dependent students ages 18 to 24, 81 percent of the students with the highest family income who entered college in 1989 had completed a degree or were still enrolled in 1994. But just 61 percent of those in the lowest quartile were in the same situation.

In other words, despite 35 years of effort, we are still much less successful in getting students from the lowest income groups into college and seeing them through to graduation than we are with students from well-to-do families.

No single factor explains this persistent pattern. A lack of knowledge about postsecondary alternatives, poor high school preparation, and an inability (whether perceived or real) to pay for college are all involved. But as higher education becomes ever more important for economic success and personal well-being, the consequences of the continued disparities in participation and graduation become even less acceptable.

ADDRESSING THE DISPARITIES

Our toolbox for addressing these disparities is limited. In fact, one key tool—affirmative action—is increasingly under judicial and political pressure and may not survive—at least not in its current form. Already, several states have abandoned it, spurred by judicial challenges and voter referenda.

The most likely and troubling consequences of curtailing affirmative action—a sharp, sudden drop in college participation among members of minority groups—is widely recognized, and even opponents of affirmative action profess to find such a result unacceptable. Therefore, there is widespread interest in finding alternatives to affirmative action where it has been struck down or eliminated. A number of new efforts—such as automatic admissions and enhanced student outreach efforts—have been launched. While these efforts are vitally important, it will be years before we know if they succeed. In the meantime, the gaps in collegiate participation and completion are unlikely to narrow.

The highly regarded federal TRIO programs are another important tool to help boost college participation for first-generation college students. And, unlike affirmative action, TRIO remains politically popular. However, even with a steady increase in federal funds, the rapid growth in the number of first-generation college students means that only a small fraction of eligible students receive TRIO services. The Clinton Administration's Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is based on a highly successful model, Eugene Lang's "I Have a Dream" initiative—but it is too soon to tell if this program will enjoy the widespread support that TRIO now receives.

Where We Are Going

Given all that has transpired in the last decade and the rapid pace of continuing change, it's hard to know where these developments will lead. Nonetheless, we think there are five key considerations.

I. Public Support Will Bring Greater Scrutiny

The importance that educators have long assigned to our industry is now widely shared. We no longer need to claim that higher education is the best way to ensure personal economic growth and social progress. The public has made the connection. This view has become conventional wisdom.

But that means we are subject to far more scrutiny and oversight than ever before. Public importance means political scrutiny. Policy makers, the media, and the public are more likely to ask questions about collegiate operations—including some that go to the core of the enterprise—than they were at the start of the decade. A few of the questions are silly and uninformed. Others are tough but reasonable. Not all the questions have answers. In some cases, the answers are not very good. But none of that matters. The questions will be asked, and higher education must become more comfortable living in the public eye.

This challenge calls to mind an old French proverb: "War is too important to be left to the generals." A 21st century version would hold that higher education is too important to be left to the educators.

THE IMPORTANCE OF COMMUNICATION

This means that colleges need to give more attention to public opinion than ever before. Much of this work needs to be done by individual campuses, and we are already seeing efforts to better explain the nature of higher education and what it means to the local community. But the national associations must play a stronger role as well and ensure that campus officials have accurate, useful information to shape their efforts.

Higher education also needs to join together to address matters of widespread public concern, as ACE has tried to do with the "College Is Possible" campaign. This is a difficult task because these efforts are complicated, expensive, and time-consuming. It requires that we make a conscious effort to understand what the public thinks about issues, to engage the public at that point, and to develop arguments that the public finds convincing. Educators, of course, would rather the public simply accept our views. Unfortunately, sometimes the public does not find them believable.

Unavoidably, higher education must begin to use more extensively the tools that the corporate community employs to measure public opinion and shape a response. Surveys and focus groups, for example, are widely employed in other industries on a regular basis to "take the pulse of the public" and to provide an early warning of potential problems. Similarly, advertising efforts are often used to help shape public opinion. Higher education must take similar steps on a regular basis, not just when faced with a crisis.

II. Concern over Access Will Continue to Grow

The concern about access to higher education that has been so central to the academic community will increase in the years ahead. The students graduating from secondary schools in the next decade will include ever-larger numbers of low-income, minority, and first-generation college students. In short, those students who have been least likely to enroll in and complete college will be an increasing part of higher education enrollments. There is plenty of evidence to suggest that many of these students will not be ready for college-level work. While the nation has paid homage to the idea of improving elementary and secondary education since the *Nation at Risk* report in 1983, progress toward this goal has been uneven at best.

Consider Ohio. The Buckeye State now rates all school districts on 27 academic standards. The wealthy suburbs that surround Cleveland and Columbus do very well—many are deemed "effective" and meet 26 or 27 of the state's standards. Even more suburban school districts meet 20 to 25 standards and are making, in the dry words of the report, "continuous improvement." At the other end of the scale are the "academic emergencies." The names of these school districts are well known: Akron, East Cleveland, Cleveland, Youngstown, and Canton. Their average score? Three.

Ohio is not alone, of course. We could probably observe this scenario in any state. And, sadly, the situation appears to be getting worse. The unequal facilities and learning opportunities that have long characterized many urban and rural schools remain an inescapable feature of American education.

THE DIGITAL DIVIDE

Perhaps the most prominent disparities among school districts involve electronic and technological resources. The U.S. Department of Education's National Center for Education Statistics (NCES) recently analyzed the extent to which elementary and secondary classrooms are connected to the Internet. Surprise! Schools serving low-income students are far less likely to be connected to the information superhighway. In schools where 10 percent or less of the students are eligible for a free lunch, 74 percent of the classrooms are wired for the Internet. However, in schools where more than 70 percent of the students are free-lunch eligible, just 39 percent of the classrooms are wired.

As technology increasingly permeates American society, the unequal distribution of resources—"the digital divide"—will complicate efforts to expand access to higher education. In the future, success in American society will not simply be a matter of going to college; it will also depend on where one goes to high school.

THE NEED FOR A COMPREHENSIVE EDUCATION AGENDA

The options for college and university leaders are limited. They are not responsible for elementary and secondary education, and local school district officials often resent whatever assistance is offered. Moreover, there is little upside to getting involved; colleges rarely receive recognition for efforts to improve public education.

But college educators cannot hope that solutions will appear without their active involvement. One central task for colleges is to give increased attention to the preparation of elementary and secondary schoolteachers. This issue does not appear on the radar screen of most college and university presidents as often as it should. Last year, an ACE task force of college presidents laid out a series of concrete steps that institutions could take to improve the quality of teacher preparation. All colleges ought to review this document (and similar reports prepared by other education associations) and implement appropriate steps.

In addition, college presidents should be strong advocates for improving the quality of public schools. The goal should not be to advocate specific policy solutions, but rather to express a clear and commanding voice for improved educational quality. Even the simple step of providing recognition to outstanding elementary and secondary schoolteachers through honorary degrees and distinguished alumni awards would underscore the importance of excellent schoolteachers and validate their work.

Finally, college presidents must remain strong advocates for increased need-based student aid. As long as low-income and minority students are underrepresented in higher education, college leaders must call for public policy steps to ensure that these students receive an equal opportunity to participate. This is a tall order, and the progress we have made so far has been disappointing. But the need is at least as great today as it was a generation ago.

Regardless of what happens to elementary and public schools in the years ahead, increasing attention will be paid to collegiate graduation rates. This is, of course, an imperfect indicator: Our open access system of higher education means that some students will start postsecondary education and leave without completing a degree and that many others who enroll for a single course never intend to earn a degree.

But federal and state policy makers believe this is a more important indicator than they did a decade ago. And since low-income students are more likely to drop out or stop out than their better-heeled colleagues, campuses and policy makers may begin to move from concerns about "access" to postsecondary education for low-income and minority students to ensuring their successful completion. If this occurs, it will represent a sea change in education policy.

III. Technology Will Reshape Higher Education and May Well Redefine It

The central idea of a university has always been that knowledge can be concentrated at a single place and that students go to that location to be educated. The electronic revolution dramatically undermines that premise. This is not to argue, as some have, that universities will go the way of the dinosaur. But it does mean that traditional definitions of higher education will be less appropriate in the future than they are today, and it means that many of the assumptions that underlie public policy in higher education will be revisited in the near future.

THE LINK TO ACCREDITATION

Federal law limits participation in the student aid programs to schools that can meet three criteria: accreditation, a state license to operate, and certification to participate granted by the Department of Education. With the number and type of postsecondary education institutions changing daily, these traditional factors will need revision. Unfortunately, there are no road maps.

In 1998, Congress considered the alternatives and decided, temporarily, to postpone significant action. They granted the Department of Education a waiver authority to let the agency experiment with distance education, mandated a study of the "transferability" of academic credit, and established the "Web-Based Education Commission" to study the costs and benefits of higher education provided via

the Internet. When Congress next reauthorizes the Higher Education Act (in 2002–2003), it will no doubt revisit these issues and begin to decide what, in the eyes of the federal government, is meant by "distance education."

Many of the key questions will focus on issues found at the intersection of public policy choices and the very definition of higher education. For example, how do we measure the quality of distance education? What distance education programs will be eligible for public support—such as financial aid for students? Will distance education be sufficiently comparable to traditional classroom instruction so that the educational experience will be equivalent? These are not new questions: They have been a feature of debates about continuing education for 25 years. But the rapid expansion of electronically delivered instruction means that policy decisions cannot be delayed much longer.

The higher education community must take the lead in defining the issues surrounding public policy and postsecondary education in the digital era. Only by clarifying the questions and suggesting solutions can we reasonably expect that federal policy makers will understand the issues and recognize the impact of their choices. Members of Congress (and their staffs) and Executive Branch officials did not earn college degrees via distance education. Most have not taken a single distance education course. In other words, they have no personal framework from which to consider these issues. In such an environment, they will receive their information and perspectives from those who seek to influence their decisions. Given the importance of these issues to higher education, we need to help define the choices and shape the decisions.

IV. Middle-Class Concerns About Paying for College Will Not Go Away

The central fact of American political life at the start of the 21st century is that the middle class holds the whip hand. All politicians are acutely aware of what the middle class wants and are anxious to meet these needs.

Based on recent survey work we have completed, the public appears to have less anxiety about the cost of college than a few years ago. But it will not take much to make this issue front-page news. The pharmaceutical industry offers an important illustration. In the early 1990s, the high cost of prescription drugs was of great concern to policy makers and the media. The industry had a number of clear, factual reasons why drug prices were increasing faster than inflation every year. But the industry, they maintained, could do little or nothing to reduce the rate of increases.

The Clinton health care initiative in 1994 provided an unmistakable wake-up call, as it would have given the federal government a greater role in setting prescription drug prices. The rapid increases in prescription drug prices stopped almost immediately. But the underlying cost pressures remained.

Now, a few years after the crisis, drug prices are again increasing and policy makers are again looking at policies to arrest the increase.

As long as higher education, like prescription drugs, remains vital to individual well-being, increases in college prices will be of widespread concern.

POLITICAL IMPLICATIONS OF RISING COLLEGE PRICES

There are several considerations for colleges. First, given the visibility of the issue and the level of public concern, the possibility for legislative action cannot be ignored. Occasionally, public policy issues become sufficiently important that facts and analysis cease to matter. When that happens—and the concern about college prices is the kind of issue where it could happen—the ability of the affected community to influence the outcome is limited.

Second, because much of the interest in the price of college comes from the middle class, policy makers may address their concerns and, in the process, further dilute the amount of student aid available to lower-income families. This was a clear policy direction in the last decade. The changes in the federal student loan program in 1992, the Hope and Lifetime Learning tax credits, and the tax-favored savings plans are welcome benefits for those who can take advantage of them. But these modifications—which represent the largest share of the increase in federal student aid in the 1990s—have done relatively little to help low-income families.

Finally, we need to continue efforts to ensure that all students and families understand that student aid is available to help them finance a higher education. Nearly 1 million Americans have received information from the College Is Possible campaign in the last two years. While this is great news, it also reminds us of the widespread need for clear, factual, and easily accessible information. Colleges have never made this a priority because we assumed that the government would do it, or that secondary schools would take care of it, or that the public would pick it up on their own.

These were not good assumptions. In truth, the organizations that have done the most to educate the public about the cost of college and financing options are those with a product to sell—the financial services industry, for-profit "scholarship services," and the publishers of college guidebooks. While this information can be useful, it can also be incomplete, misleading, or focused on less significant issues. Moreover, it is accessible only to people who know where to get the information and how to interpret it. As the cost of college grows and financing options continue to proliferate, the need to ensure that the public—especially low-income, first-generation, and minority groups—receives coherent, comprehensive, and unbiased information about college costs and student aid will grow ever more important.

V. We Cannot Underestimate the Likelihood of Increased Government Regulation

Much of it will be focused on protecting students and making campuses safer. In the past year, student deaths have been attributed to dormitory fires at Seton Hall, Bloomsburg, and Millikin Universities; binge drinking episodes; the bonfire collapse at Texas A&M; and van crashes that killed students at Wheaton College, Prairie View A&M, and Rice University. In every case, the incidents produced news stories implying that colleges ought to be watching students more closely than they are.

Put aside for a minute whether students want more supervision—they don't. Many policy makers and some in the media seem to feel that more regulation, including more disclosure, is needed. Many parents—including some who frowned on any interference in the lives of college students a generation ago—now see things differently.

The trivialization of national politics in the post-Cold War era is also a factor. Like surfers, politicians are anxious to catch the next wave. Politicians who are deprived of overarching issues (such as war and peace, economic growth, or obvious social injustice), or who cannot get their arms around those overarching issues that remain (such as "fixing" Medicare or global warming), must find another issue that can be the focal point of their work.

And today, that often means focusing on small bore issues that serve as a platform for demonstrating commitment to improving the day-to-day lives of their constituents, especially middle-class constituents. The rule is to find an issue that affects pocketbooks, safety, or kids. College costs, students dying in dorm fires, and students who go missing are all excellent issues because they are matters that the public immediately understands and fears when they think about their own families.

Fixing the problem would be nice, but defining an issue and demonstrating concern is often enough. The issue becomes even more politically appealing if the "other side" is some big, anonymous collection of institutions that does not have a strong position or a clear public face. Government agencies, drug companies, and health maintenance organizations all fit the bill. So do colleges.

It matters not whether we like this development. It has, for understandable reasons, become a fact of life in the political world in which we operate.

Some Final Thoughts

Educators have always had broad discretion to address what Supreme Court Justice Frankfurter called the four essential freedoms of the university: to determine on academic grounds who may teach, what may be taught, how it shall be taught, and who may be admitted to study. But as long as economic returns and enrollments increase, technology opens new doors, the number of new providers increases, and politics remains mired in a search for issues, it grows ever more likely that the not-so-gentle or subtle hand of government will be an ever-present danger.

While the hope is that unneeded, unwanted government interventions will be resisted, it nonetheless has the potential to reshape the campus community, perhaps in ways that will damage our core values. So it may be that the most important question that higher education faces as we approach the coming decade is how we as a community take account of these challenges and meet them.

There is little doubt that individual institutions are aware of the changes reshaping the creation, transmission, and storage of knowledge and are responding accordingly. Nor is there much doubt that individual institutions fully recognize that they increasingly operate in a buyers' market that requires them to think and act differently.

But higher education as a community has always found collective action a complex and difficult undertaking. So the central public policy question facing us at the dawn of this new century is whether we will be passive bystanders as events overtake us or whether we can collectively find common ground, present a unified and vocal front to policy makers and the media, and help shape the future. Stay tuned.

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